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Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01
PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 /093 R

DRAFTED BY ARA/AND:ASCFULLER
APPROVED BY ARA/PPC - MR. EINAUDI
----------030111 231846Z /53
R 221042Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA

C O N F I D E N T I A L STATE 103485

E.O. 11652: GDS

TAGS: EFIN, PE

SUBJECT: PERUVIAN FINANCIAL CRISIS

1. IN CONVERSATION WITH EINAUDI, ARA/PPC, APRIL 20, AMBASSADOR GARCIA BEDOYA SAID HE SHARED OUR CONCERN OVER THE DELAYS IN GOP IN RECONSTRUCTING A MEANINGFUL ECONOMIC STABILIZATION PROGRAM. ONE OF THE CAUSES, HE EXPLAINED, WAS THAT PRESIDENT MORALES BERMUDEZ COULD NOT AFFORD TO BE CAUGHT IN THE POSITION OF ANNOUNCING A REVISED PROGRAM ONLY TO THEN HAVE IT BE REPUDIATED BY THE IMF. PERU WAS THUS CHECKING ALL PROJECTED MOVES WITH THE IMF BEFORE ANNOUNCING THEM PUBLICLY. GARCIA BEDOYA INDICATED THAT AN ANNOUNCEMENT MIGHT COME AS EARLY AS TUESDAY, APRIL 25.

2. A VISIT TO WASHINGTON BY FOREIGN MINISTER DE LA PUENTE, THE AMBASSADOR ASSUMED, COULD COME ONLY AFTER PERU HAD MOVED TO STRAIGHTEN OUT ITS INTERNAL ECONOMIC SITUATION. SUCH A VISIT, POSSIBLY THE SECOND WEEK OF MAY, MIGHT HELP
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CATALYZE A "RAPID RESPONSE" FROM THE U.S. THE AMBASSADOR NOTED THAT MORALES BERMUDEZ COULD ALSO NOT AFFORD TO HAVE HIS EFFORTS GREETED BY "LOUD SILENCE" FROM WASHINGTON.

3. FOUR THINGS MIGHT BE NEEDED IN A "RAPID RESPONSE",

SAID GARCIA BEDOYA: FIRST, "HELP" WITH THE IMF; SECOND,

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SUPPORT TO INSURE THAT THE COMMERCIAL BANKS MOVE IMMEDIATELY AFTER AGREEMENT IS REACHED BETWEEN THE IMF AND PERU; THIRD, "NO FURTHER COMPLICATION OF MATTERS BY THE COMPTROLLER OF THE CURRENCY"; AND FOURTH, IF A DELAY OF MORE THAN A FEW DAYS BETWEEN AGREEMENT WITH THE FUND AND DISBURSEMENTS BY THE BANKS UNDER THE BALPA LOAN SHOULD OCCUR, AN ESF BRIDGE FROM TREASURY.

4. GARCIA BEDOYA CONCLUDED THAT DEFAULT HAD TO BE AVOIDED AT ALL COSTS. THE AMBASSADOR NEVER MENTIONED AN OFFICIAL-DEBT RESCHEDULING, AND EINAUDI DID NOT ASK. CHRISTOPHER

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